

## DEBT SERVICE FUND OVERVIEW

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The Debt Service Fund is used to account for resources that are restricted, committed, or assigned for payment of certain debt obligations and related costs. Major sources of revenue for the fund include ad valorem taxes, local option sales taxes, loan repayments from other internal service centers, proceeds from the sale of delinquent ad valorem tax receivables, and Tourism Development Zone revenue.

General obligation bonds and notes are direct obligations of the City. The full faith, credit and unlimited taxing power of the City as to all property subject to ad valorem taxation within the City are pledged to the payment of the principal of and interest on the City's general obligation debt.

Although there are no statutory limitations on the amount of general obligation debt the City can issue, the City conducts its finances so that the amount of general obligation debt outstanding does not exceed twelve percent (12%) of the City's taxable assessed valuation.

The City manages its general obligation debt conservatively as it does not have any outstanding variable rate debt or derivative agreements, although both are permitted in the City's Debt Management Policy and Procedures manual. The City does, however, utilize commercial paper proceeds as a source of interim construction financing for projects contained in the City's CIP Budget. Commercial paper has proven to be a low cost source of funds for the City.

The size of the City's Commercial Paper Program is \$150 million which, if fully utilized, would represent approximately 11% of outstanding general obligation debt. Such percentage falls within generally accepted guidelines for variable rate or short term debt exposure.

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's, a Standard & Poor's Financial Services LLC business ("S&P" and, together with Moody's, the "Rating Agencies") have assigned ratings of "Aa2" and "AA", respectively, to the City's general obligation bonds. Such ratings express only the views of the Rating Agencies. An explanation of the significance of such ratings may be obtained from the Rating Agencies furnishing the ratings. There is no assurance that either or all of such ratings will be maintained for any given period of time or that it will not be revised or withdrawn entirely by the Rating Agencies if, in the judgment of the respective Rating Agency, circumstances so warrant.

In addition to general obligation debt, the City issues leases and other appropriation obligations whereby the City budgets and appropriates legally available funds each fiscal year for the payment of principal of and interest on such obligations.

**DEBT SERVICE FUND****LEGAL LEVEL**

The **Debt Service Fund** is used to account for resources that are restricted, committed, or assigned for payment of debt obligations and related costs.

<b>Category</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Adopted</b>	<b>FY 2015 Forecast</b>	<b>FY 2016 Budget</b>
<b>Revenues and Other Sources</b>				
Current Property Taxes	112,819,696	113,024,150	115,000,000	115,900,000
Delinquent Property Taxes	2,792,696	2,300,000	1,500,000	2,400,000
Sale of Delinquent Property Taxes	4,268,576	3,000,000	2,600,000	3,500,000
Local Option Sales Tax	7,802,856	7,488,000	8,150,058	8,200,000
In Lieu Of Taxes-Contractual	1,816,551	1,964,678	1,964,678	1,964,678
Tourism Development Zone	12,073,534	13,750,000	16,818,431	23,500,000
Use of Money	169,501	125,000	266,602	223,000
Federal Grants	2,107,986	2,337,834	2,337,834	2,355,769
State Gas - Motor Fuel Tax	0	0	1,768,300	1,768,300
Other	3,924,548	2,622,903	2,881,684	2,323,700
Contribution From Fund Balance	0	1,686,334	0	39,880
Proceeds from Loan	85,450	0	47	0
Issuance of Refunding Debt	224,138,661	0	75,520,000	0
Transfer In - Hotel-Motel Tax	1,187,853	1,186,252	1,365,752	1,366,517
Transfers In - State Street Aid	1,768,300	1,768,300	(294,717)	0
Transfers In - New Memphis Arena	0	0	3,693,896	0
Transfers In - Solid Waste	3,454,807	5,055,687	5,055,687	4,553,723
Transfers In - Storm water	1,893,502	1,893,502	1,893,502	3,787,004
Transfers In - GF	4,822,170	5,360,125	5,166,504	5,360,125
Transfers In - Grant Funds	192,596	0	193,621	194,496
<b>Total Revenues and Other Sources</b>	<b>385,319,283</b>	<b>163,562,765</b>	<b>245,881,879</b>	<b>177,437,192</b>

**Expenditures and Other Uses**

Principal - Serial Bonds, Notes and Leases	89,714,924	93,984,794	93,770,508	94,712,122
Interest - Serial Bonds, Notes and Leases	67,464,925	66,005,366	65,618,141	65,806,403
Other (M&S & COI & Svrc Chrg)	3,748,225	1,243,945	1,766,445	1,253,890
Retirement of Refunded Debt	222,170,890	0	75,000,000	0
Transfers Out - Capital Projects	0	0	4,269,307	0
Transfers Out - General Fund	0	0	0	500,000
Contribution to Fund Balance	2,220,319	2,328,660	5,457,478	15,164,777
<b>Total Expenditures and Other Uses</b>	<b>385,319,283</b>	<b>163,562,765</b>	<b>245,881,879</b>	<b>177,437,192</b>